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INFORMATION REPORT

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COUNTRY China

REPORT NO. [REDACTED]

SUBJECT History of Shanghai Power Company Riverside Station
Fuel Situation to May, 1941/Analysis of Coal/Fuel
Supplies, 1940 and 1941

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1. Prior to 1937 Shanghai Power Company used coal as a fuel entirely and all of this coal came from Chinese sources. About one-third of it came from Chinwangtao, one-third from Tsingao and one-third from Pukow. In 1936, the company consumed 564,000 tons of coal, or approximately 1600 tons per day. Actually, the use during week days was about 1800 tons per day, with a corresponding reduction over week ends. This coal represented about 18% of all of the coal coming into Shanghai over the corresponding period.
2. Since the middle of 1937, Tsingao and Pukow have closed as sources of supply and Chinwangtao has, therefore, been the only source of supply close at hand available to the company. Since the beginning of the Sino-Japanese hostilities in 1937 the amount of coal available to the company from this source has been greatly increased over previous takings and for a short period of time in the latter part of 1937 and early in 1938 with the reduced consumption of electricity, it met the requirements. However, as industries resumed operations there came a time in 1938 when it became necessary to go somewhat far afield for the amount of fuel required over and above that obtainable from the Kailash Mining Administration. In 1938, fuel consumption was 468,000 tons, as compared with 564,000 in 1936. In 1936, all of this fuel came from China. In 1938, 168,000 tons came from sources outside, namely, Australia, South Africa, India and some from the United States. In 1938, the consumption increased to 653,000 tons, the maximum yearly consumption recorded by the company. Of this amount 353,000 tons had to be imported, mostly from India. In 1940, the consumption dropped from 653,000 to 623,000 tons, due largely to a slowing down of industries in the last quarter of the year. Of this total consumption 323,000 tons had to be imported, again largely from India, which so far has proved to be the most reliable and cheapest source of outside coal.
3. Actually, the amount of foreign coal imported has been in excess of the above figures because of the necessity of building up reserve stocks. Prior to 1937, the coal carried in reserve stock averaged about 40,000 tons, with a value on the books of C\$ 384,000. This coal was sufficient for about 20 to 30 days and was ample to take care of delays in the receipt of coal in accordance with schedules. With increasing greater dependence on outside coal, together with decreasing availability of ships since the

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outbreak of World War II in September, 1939, it has been necessary to build up reserve stocks and efforts have been made to do so ever since September, 1939. As the need for increasing amounts of foreign coal developed, it became necessary to charter ships as coal could not be purchased on any other basis than fob port of loading. At one time in the early summer of 1940, the company had 14 ships hauling coal from India, in addition to the ships engaged in hauling coal from Chinwangtao. When ships on time charter began to be taken away because of the shortage of bottoms, steps were taken to convert some of the boilers at Riverside for oil burning, with the idea that should the coal supply fall below requirements, it might be possible to supplement with bunker oil. By

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[REDACTED] However, tankers are as scarce as merchants ships, as both are needed for war purposes.

4. The following facts and figures must be taken into consideration in a study of the fuel problem in Shanghai:

1. The fuel requirements, without curtailment of power, are the equivalent of 50,000 tons of coal per month.
2. Present dependable receipts are 25,000 tons per month, or 1/2 of the requirements
3. About 3 months ago, fuel stocks were up to 150,000 tons, or the equivalent of 3 months' requirements. If all supplies of fuel were cut off and six months supply if only one-half of requirements, that is if the present dependable supply continues to be available.
4. Fuel stocks now are down to 120,000 tons.

Fuel Costs

5. The tabulation covering the period from 1936 to 1941 shows the actual fuel costs in US dollars/ton delivered to the generating station.
6. In order to explain briefly the influences controlling these costs, it should be noted that the Japanese invasion in North China began in July, 1937 and in Shanghai in August of the same year. Because of the limited amount of Chinese coal available, it became necessary in 1938 to purchase considerable foreign coal from India, Australia and the US at greatly increased prices. This explains the rapid increase in the cost between 1 July and 31 December of 1938.
7. The World War II scare and the actual beginning of hostilities in the latter half of 1939 reduced available shipping and increased carrier prices. Although additional amounts of Chinese coal had become available, the influence of shipping costs appeared in the delivered coal prices of Chinese coal, as well as foreign coal. The continuing sharp rise during 1939, 1940 and 1941 is the direct result of reduction in available ships, British Admiralty control and high insurance rates.
8. In order to meet the problem of obtaining sufficient fuel to maintain supply in Shanghai, some boilers have been converted for oil burning and oil is being used to some extent. Needless to say, the same shipping limitations apply to oil as well as to coal although the factors are somewhat modified.

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